



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# **Maryland's Kids First Act: Using Tax Forms to Identify Medicaid/CHIP-Eligible Children**

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SHARE Webinar

# The Kids First Act

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- Enacted by the Maryland legislature and signed by Governor O'Malley in May 2008
- Requires a Medicaid/Children's Health Insurance Program (CHIP) outreach initiative, based on information from state income tax forms
- Requires coordination between the Maryland Comptroller (who collects taxes and is an independently elected statewide official) and Medicaid/CHIP agency

# 2008 Tax Year (filing due April 15, 2009)

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- Per the Kids First Act, the taxpayer shall report on the state tax return “the presence or absence of **health care coverage**” for each dependent child for whom an exemption is claimed
- The Comptroller, not the Medicaid agency, had the authority to create the exact wording on the tax return
- A taxpayer would not be penalized for failing to answer

# 2008 Maryland Individual Resident Income Tax Return Form 502 and Form 503: Dependent Health Care Question

		(C) Dependents:		(4) Check if Dep. ▶ Child	(5) If Dependent Child is checked, does child have health care?		(6) Regular	(7) 65 or Over
(1) First name	Last name	(2) Social Security number	(3) Relationship		▶ Yes	▶ No		
		▶						
		▶						
		▶						
		▶						
		▶						

# 2008 Maryland Individual Resident Income Tax Return

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- Question on Tax Form
  - The Comptroller converted the statutory language into this question: “If Dependent Child is checked, does child have **health care**?”
- Data Collected on the Tax Return
  - First and last name of dependent child
  - Child’s and tax filers’ social security numbers
  - Relationship of dependent to taxpayer
  - Adjusted gross income
  - NOT age of child

# 2008 and 2009 Tax Years

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- Based on the data on the tax return, the Comptroller **must send a Medicaid/CHIP application and enrollment instructions** to taxpayers who indicate dependent children without health care coverage and whose reported income appears not to exceed Medicaid/CHIP financial eligibility limits (300% FPL in Maryland)
- The Medicaid/CHIP administrators were required to develop the outreach cover letter and any supporting materials to be stuffed into the envelopes sent by the Comptroller
- One basis for the law: Maryland provides a state Earned Income Tax Credit (EITC) for low to moderate income working individuals

# 2008 Tax Returns

## (returns received as of June 30, 2009)

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- Total number of tax returns received: 2,510,032
  - Returns that did not claim a dependent child: 1,698,120
  - Returns that claimed a dependent child: 811,912
  
- Total tax returns that claimed a dependent child: 811,912
  - Returns that indicated all children had “health care”: 577,609
    - Represents **998,736** dependent children in these households
  - Returns that indicated that one or more children did not: 234,303
    - Represents potential outreach to **379,096** children, some in households above 300% FPL
    - Includes returns on which the question was not answered
  - Total children (all ages) represented in the tax returns: 1,377,832
    - Census data show there are approximately 1.5 million *minor* children

# Kids First Act Evaluation

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- Funded by the Robert Wood Johnson Foundation under a SHARE grant
- The scope of the evaluation: a qualitative review of how key decisions were made, what created the momentum to pass the law, and what may be learned from the implementation of the initiative

# Selected Key Players: Findings from Interviews

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- Dr. Peter Beilenson - Howard County Health Officer
  - Started a precursor program in Howard County
  - That program used support from the Comptroller to mail letters to individuals who might be eligible for county-subsidized insurance (for people slightly **above** Medicaid/CHIP income levels)
  - Identified 2,000 individuals for the Healthy Howard Program (***Most of these individuals (1,800) were eligible for Medicaid or CHIP***)
  - Did not require legislation for this outreach initiative
- State Legislature
  - Initial debates resolved certain controversial issues (e.g., was this a precursor to an individual mandate?)
  - Some Delegates viewed the Kids First Act as the first step toward an individual mandate, but not toward auto enrollment into Medicaid
  - Data sharing across agencies was not addressed in the legislation

# Select Key Players:

## Findings from Interviews continued

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### ■ DHMH/Medicaid

- Developed the notice and any information materials to be sent with the applications
- Provided the Comptroller with Medicaid/CHIP income thresholds to enable (over-inclusive) crosswalk with reported income
- Sought but was unable to resolve data sharing arrangements (Medicaid/CHIP eligibility files with outreach candidates)

### ■ Comptroller's office

- Identified the children and mailed the notices/applications
- Determined wording of question on 2008 tax form
- Sought but was unable to resolve data sharing arrangements because of lack of parental consent

# Key Results

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- Brief wording of the tax return question might create confusion (“health care” vs. “health care coverage” or “health insurance”).
- An outreach strategy that errs on the side of sending “too many” packets will reach many households who are ineligible. One such group: children of the self-employed, whose tax deductions suggested they might be low-income, but not according to Medicaid/CHIP income rules.
- Data sharing between the Comptroller and Medicaid agency was not permitted due to consent issues, and many packets have been and will be sent to households in which the children already are enrolled in Medicaid/CHIP.

# Key Results continued

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- CHIPRA Express Lane Eligibility (ELE), with a parental consent to share data, *might* overcome this data sharing challenges
- The tax return does not capture the age of the child, so linking the mailing to Medicaid/CHIP eligibility that varies by age is not possible, and occasionally the “dependent child” is an adult.
- When tax filers answered the question, the time period they were responding to was vague: health care in the tax year? At the time of filing?

# Key Results continued

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- Application packets will be sent to all tax filers who opted not to answer the question; this is expensive and over-inclusive.
- It is not possible to track who enrolled *because* of this outreach method.
- The lengthy time lag between the year in which the income was earned and the tax filing (and then mailing of enrollment materials) may affect take-up and eligibility.

# Key Results continued

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- The legislature did not anticipate many expensive operational issues: administrative cost of all mailings (and new mailing equipment), generating new tax forms, updating the Comptroller's data systems to incorporate Medicaid eligibility thresholds to trigger outreach, and the very fact that the Comptroller did not have a machine capable of accommodating a large mailer.
- Medicaid does not have a specific application targeted to the outreach group (children applying for Medicaid/CHIP), so the full "standard" application will need to be mailed, with many unnecessary questions (e.g., assets), unless a new form is rapidly developed.
- Tax filings are not seasonally adjusted, so a child might be eligible for several months in the year, even if the reported income appears too high to qualify.

# Advantages of Data Sharing

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- Could reduce the size of the mailing by eliminating already-enrolled Medicaid/CHIP children from the outreach
- Could reduce the problems that occur when current Medicaid/CHIP enrollees receive the notice and application and become concerned and confused
- Could allow for better tracking of the individuals who likely applied **as a result of the mailing**

# Opportunities

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- The initiative is innovative, inclusive, and has attracted widespread support and national interest
- In a state like Maryland, with state-based tax credits and a state EITC, even low-income households file returns, so the tax filing process is likely to include most households with Medicaid/CHIP-eligible children
- Express Lane Eligibility provides more support for state legal changes to support data sharing across agencies

# Contact Information

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